General Office of the China Banking Regulatory Commission Document

**Guidance on Credit Provision to Energy Saving and Emission Reduction**

Every CBIRC local office and banking institution must thoroughly understand the great significance of the role that building an ecological civilization plays in our country’s long-term development, and integrate, as much as is practically possible, the concept of green credit into the institution’s operations and regulators’ work, and continuously strengthen the green credit’s implementation and promotion in a series of institutional regulations and measures.

1 Firstly establish the concept of Green Credit

Every CBIRC local office and banking institution must thoroughly understand the great significance of the role that building an ecological civilization plays in our country’s long-term development, and integrate, as much as is practically possible, the concept of green credit into the institution’s operations and regulators’ work, and continuously strengthen the green credit’s implementation and promotion in a series of institutional regulations and measures.

2 Vigorously support green, recycling and low carbon development.

Following the principles of risk control and banking commercialism, banking institutions shall comprehensively consider the market prospects, policy compliance, risk status, and other factors of customers and projects to be extended credit, strengthen innovation in credit-giving mechanisms, business processes, and product development, actively finance business services, increase their support for key areas such as strategic emerging industries, public utilities, social welfare projects and labor-intensive and environmentally-friendly projects, and properly carry out the green credit’s implementation and promotion.

3 Taking initiatives in prevention and control of credit risks to "high pollution, high emission and overcapacity" industries

Banking institutions must strengthen the tracking and monitoring of "high pollution, high emission and overcapacity" industries, as well as be aware of abnormal movements in specific segments, and properly manage the risks. Banking institutions must give special attention to the "high pollution, high emission and overcapacity" industries, and timely and accurately determine their financial status, and promptly implement prevention measures and reporting procedures.

4 Strictly prevent losses and adverse outcomes caused by the environmental and social risks

Banking institutions must continuously strengthen organization, management, processes and capacity building relevant to the green credit, and must improve their institutional level of professional assessment and evaluation. Banking institutions must pay great attention to the clients and projects' performance in energy-saving and emission-reduction, environmental protection, and pollution prevention and work safety, as well as the impact that these might have on social stability. Accordingly, the banking institutions must improve their classification management and the "Three Checks" (due diligence before the lending, review requirements during the lending, and exam implementation after the lending) for loans. Appropriate measures must be taken jointly by the client and the project in serious violation of relevant guidelines and relevant laws in order to ensure that the project is put to use as soon as possible. In cases where clients and projects are exposed to high credit and operation risks, the banking institutions shall take timely measures to prevent losses, retain the list of projects to regulate and control, and strictly police activity.

5 Strengthening environmental and social risk precaution

All CBIRC local offices must, in line with the current situation of ecological progress and social development within its jurisdiction, facilitate banking institutions’ prevention and control of clients’ environmental and social risks. A dedicated inspector can be launched towards relevant clients and banking institutions exposed to high risks. For deficiencies revealed by the inspections, the banking institutions must promptly rectify the problems and take risk control measures.

6 Accelerate the construction of information sharing platform

All CBIRC local offices shall improve the information-sharing platform so as to provide the banking institutions with the list of companies in serious violation of laws and regulations on environmental and social protection, as well as with "10 Thousand Enterprises' Environmental Performance Leadership Index" which identifies and pinpoints energy-saving targets together with their lending information. All CBIRC local offices shall disclose major environment and social risks within their jurisdiction and urge banking institutions to improve their risk prevention.

7 Explore integrating the green credit performance into supervisory rating of banking institutions

Complying with the requirement to set up a green rating mechanisms for banks in the 12th Five-Year Plan of the State Council, we must establish rating criteria for green credit performance. Green credit implementation performance shall be integrated into the supervisory rating of banking institutions. At the same time, continue participating in Sustainable Banking Network of emerging markets countries as well as study and draw lessons from the international experience.

8 Approve integrating the green credit performance into supervisory rating of banking institutions

Complying with the requirement to set up a green rating mechanisms for banks in the 12th Five-Year Plan of the State Council, we must establish rating criteria for green credit performance. Green credit implementation performance shall be integrated into the supervisory rating of banking institutions. At the same time, continue participating in Sustainable Banking Network of emerging markets countries as well as study and draw lessons from the international experience.

9 Explore integrating the green credit performance into supervisory rating of banking institutions

Complying with the requirement to set up a green rating mechanisms for banks in the 12th Five-Year Plan of the State Council, we must establish rating criteria for green credit performance. Green credit implementation performance shall be integrated into the supervisory rating of banking institutions. At the same time, continue participating in Sustainable Banking Network of emerging markets countries as well as study and draw lessons from the international experience.

10 Continuously promote domestic and international green credit experience exchange

Actively build up platforms facilitating green credit experience exchange and promote the green credit practice with the characteristics of individual banking institution. At the same time, continue participating in Sustainable Banking Network of emerging markets countries as well as study and draw lessons from the international experience in developing green credit.

11 Further enhance the role played by the Banking Association

The Banking association shall strengthen its role in facilitating communication with the relevant industrial sectors, and assist relevant institutions to better understand the industrial trend. The association shall study and figure out timely the incipient risks in some industries and assist the member institutions to adjust and improve their strategies. The association shall study and improve its mechanisms to properly give guidance to the member institutions in properly managing credit risks.

12 Fully implement the green credit implementation and promote green credit.

At the same time, continue participating in Sustainable Banking Network of emerging markets countries as well as study and draw lessons from the international experience in developing green credit.

(Sheny: General Office of China Banking Regulatory Commission 2012)